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FARMERS' NEWSLETTER

Soybeans

Farmers' planting intentions, taken just before the suspension of sales to the Soviet Union, indicated 1980 soybean plantings at about last year's level.

Soybean prices dropped immediately after the suspension but then recovered, and in February were above pre-suspension levels. About a million tons of soybeans sold to the USSR will not be shipped, out of 2 million tons originally ordered.

Since the survey of acreage intentions was made, cotton prices have strengthened. Further, prospects now look good for the Brazilian soybean crop. So this is a particularly good time to take another look at the situation.

Here are some of the basics:

- The supply-demand situation is anything but bullish. Although U.S. soybean supplies are up 20 percent, potential demand is up only 8 percent. This means the carryover next September will be record high--2 1/2 times the level of starting stocks.
- Soybean supplies in 1980/81 will likely rise further to a new high--

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Principal contributor to this issue:
George W. Kromer (202) 447-8444

The next soybean newsletter is scheduled for late May.



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PRODUCTION
CURRENT SERIAL RECORDS

mainly because of the huge prospective beginning stocks next fall.

- Total U.S. output of all oilseeds this marketing year is 72 million metric tons, up 24 percent from last season. And world production may reach a record 180 million tons, up 14 percent.
- World supplies of oilseeds and products exceed potential demand, pushing prices down and building stocks up.
- Soybean prices may be under pressure again this spring and summer if the 1980 South American soybean crops come in at the currently projected leap of 34 percent more than last year.
- Your crop production costs, on average, in 1980 will rise by more than a tenth, but soybean costs may not rise as much as corn and cotton costs.

Brief Price Rally Possible

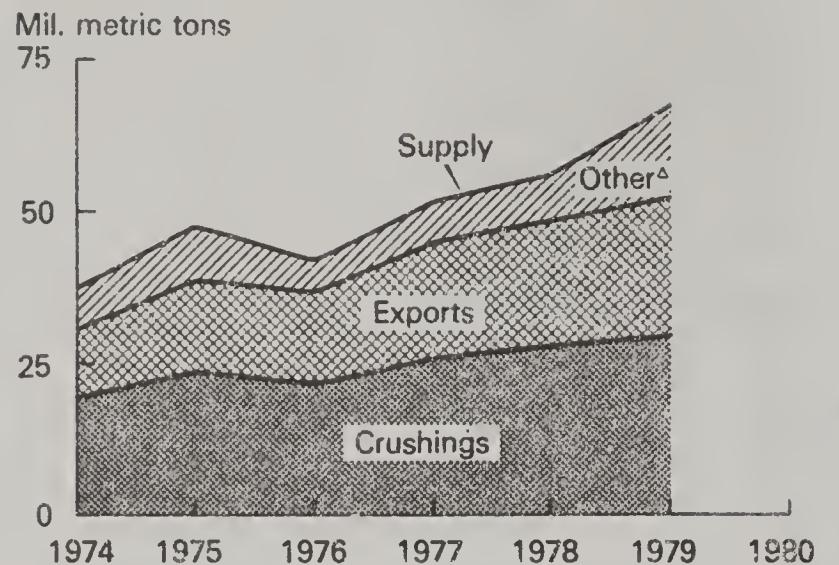
Despite record marketings of soybeans so far this season, farm prices during

EARLY ACREAGE INTENTIONS

Commodity	1978	1979 ¹	1980 ²
	Million acres		
Soybeans	64.4	71.6	71.6
Sunflower	3.0	5.8	5.4
Cotton (all)	13.4	14.0	14.0
Peanuts	1.5	1.6	31.6
Flaxseed	0.9	1.1	1.0
Total oilseeds	83.2	94.1	93.6
Corn	80.1	80.0	83.0
Wheat (all)	66.3	71.6	77.4

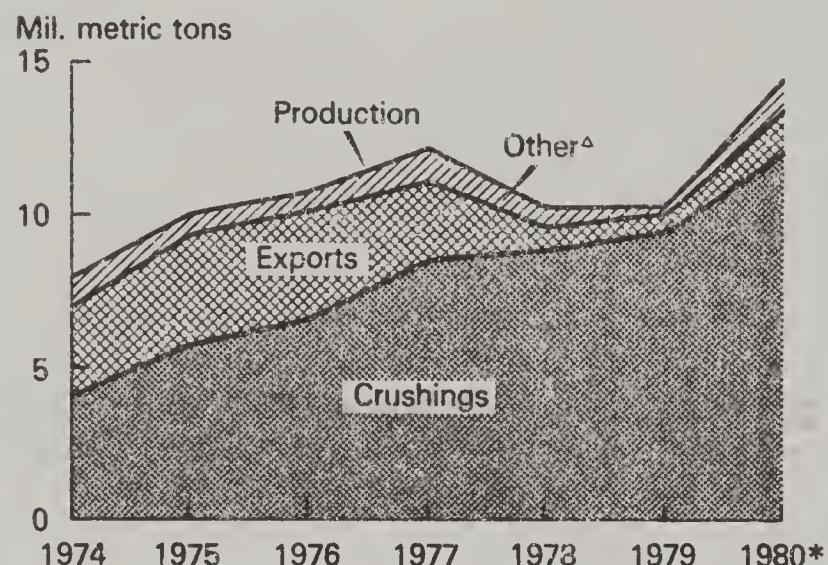
¹ Preliminary. ² January 1 planting intentions expanded to U.S. total. ³ National acreage allotment.

A LOOK AT SOYBEANS IN THE UNITED STATES...



○Crop year beginning September 1. △Other uses includes seed, feed, and stock changes.

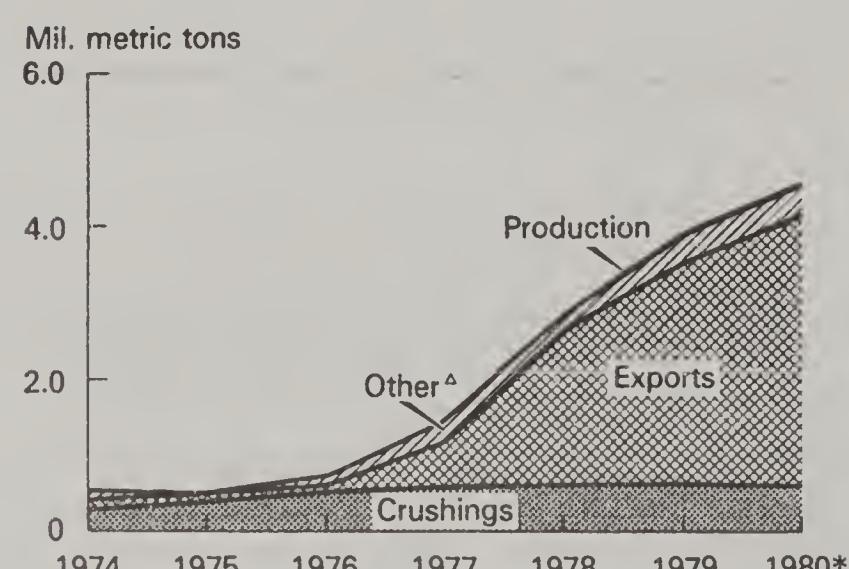
... IN BRAZIL[○]...



○Crop year beginning March 1 of year shown. *Projected.

△Other uses include seed, waste, and stock changes.

... AND IN ARGENTINA[○]



○Crop year beginning April 1 of year shown. *Projected.

△Other uses include seed, waste, and stock changes.

harvest dropped. Supplies were too heavy relative to demand. Soybeans fell from \$6.35 per bushel in October to \$6.06 in January, about 50 cents below a year earlier. The USDA loan rate for 1979-crop soybeans is \$4.50 per bushel.

Farmers are storing more soybeans than ever. As of January 1, they owned or controlled about three-fourths of the total 1.77 billion bushels of U.S. soybean stocks. This has helped maintain prices. Moreover, if soybean marketings continue orderly, prices may strengthen some--at least until South American crops are harvested.

Production South of the Border

Although the United States dominates the world market for soybeans and products, South America has become a formidable competitor as output expands in Brazil, Argentina, and Paraguay. Total South American soybean production for 1980 is projected at 19-1/3 million metric tons, nearly 5 million more than last year.

Brazil, second only to us as a soybean producer, increased output from about 8 million tons in 1974 to over 12 million in 1977. Then two successive seasons of poor growing weather reduced the crop to 10 million tons in 1978 and 1979. The crop to be harvested during March-May is tentatively forecast at 14-1/2 million tons, a new high. They'll crush nearly 85 percent of the crop and export about 10 percent as beans.

Although still well behind Brazil in soybean production, Argentina is the country to watch. It already has emerged as an important competitor for the European Community soybean market because, in sharp contrast to Brazil, it produces soybeans specifically for export. In addition, Argentina does not have the growing population and food requirements of Brazil.

Argentine soybean production has risen steadily during the past 5 years--from 0.7 million tons in 1976 to a record 4.2 million projected for 1980, a tenth above 1979. Domestic crushings have remained steady over the past 5 years at around 0.6 million tons, leaving increased quantities available for export. Exports are expected to account for 80 percent of the production.

Consider the Competition

Although soybeans are our primary oilseed crop, U.S. farmers do pretty well with some of the other oilseeds, too.

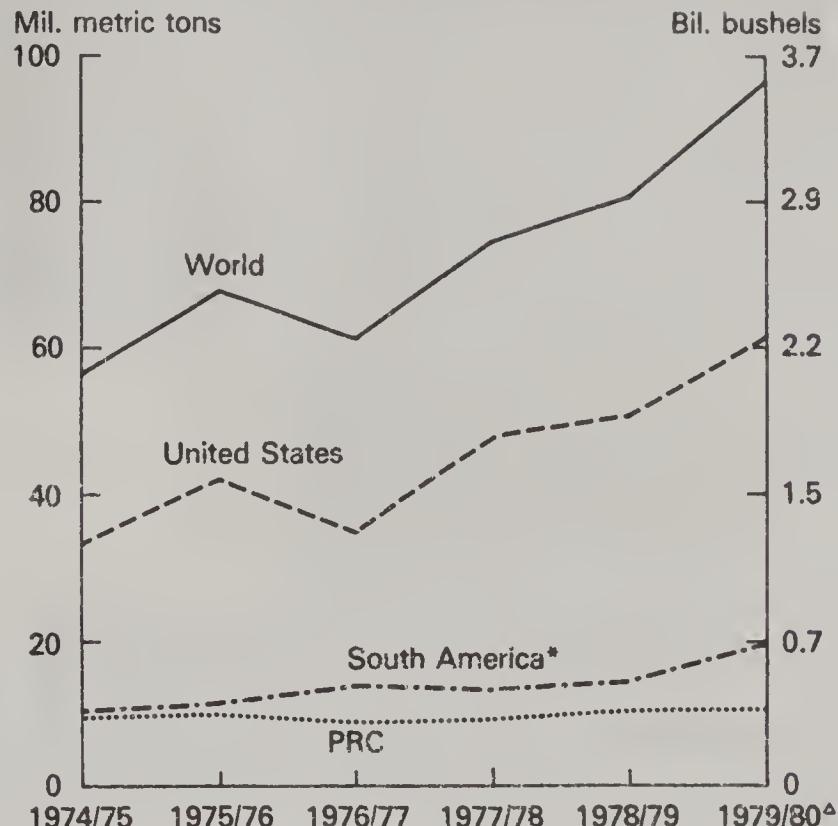
The oilseeds that compete with soybeans are all in plentiful supply. Cottonseed production is up 36 percent and sunflower supplies have doubled. Large carryover stocks are projected for these oilseeds since demand expands at a slower pace. Thus, farm prices for all oilseeds have been lower this season.

SOYBEAN SUPPLY EXCEEDS DEMAND

Item	1977/78	1978/79 ¹	1979/80 ²
	Million acres		
Area:			
Planted	58.8	64.4	71.6
Harvested	57.6	63.3	70.5
	Bushels		
Yield per acre:	30.6	29.5	32.2
	Million bushels		
Supply:			
Beginning stocks, Sept. 1	103	161	174
Production	1,762	1,870	2,268
Total supply	1,865	2,031	2,442
Use:			
Domestic	1,004	1,104	1,187
Exports	700	753	815
Total use	1,704	1,857	2,002
Ending stocks, Aug. 31	161	174	440
	Dollars per bushel		
Season average farm price ³ ...	5.88	6.66	6.12

¹ Preliminary. ² Estimated. ³ Weighted by monthly marketings.

WORLD SOYBEAN OUTPUT REACHES ALL TIME HIGH



*Argentina, Brazil and Paraguay. ⁴Forecast.

U.S. oilseed meal is also in record supply--led by sharp increases in soybean meal. Expansions in hog and poultry production point to heavy feeding of high-protein meal in 1980. And although fewer cattle on feed are in prospect, more will likely be finished to heavier weights.

Compare Soybean Profitability

Before you decide how much land to plant to soybeans this year, take a look at their profitability relative to other crops such as corn and cotton. To do this, you'll need to compare the relative price ratios and production costs.

The break-even soybean/corn price ratio is often considered to be 2.5 to 1, and for soybean/cotton, 10 to 1. This means that if soybean prices are more than 2.5 times greater than corn prices and more than 10 times greater than cotton prices, soybeans would be more profitable than either other crop. However, break-even ratios vary from farm to farm, and with prices, yields, and costs.

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The soybean/corn price ratio in mid-February and the November 1980 ratio (based on Chicago futures prices) was 2.4 to 1. Last March, when farmers were planning to expand 1979 soybean plantings a tenth, the price ratio was 3 to 1. Although 1980 production costs will be higher for soybeans, corn, and cotton, costs for the last two will increase relatively more because of heavier fertilizer use.

The soybean/cotton price ratio in February was 8 to 1, reflecting the recent sharp increases in cotton prices and a relatively flat soybean price. Futures prices also favor cotton prices over soybeans. So cotton acreage may well expand from January 1 intentions while soybean acreage slips.

Pricing Options

Forward selling of your soybeans appears to be prudent since futures prices are substantially higher than the cash price. For example, in mid-February the cash price for soybeans (No. 1 yellow, Chicago) was \$6.34 per bushel while the May futures price at Chicago was \$6.77, and the July price was \$6.99. Even new crop futures (November 1980) are sharply higher--\$7.28 per bushel.

You may want to forward contract part or all of your remaining 1979 crop soybeans since soybean prices are not likely to advance much further. So consider forward selling part of your prospective 1980 soybean crop, if you are satisfied with new crop futures prices. Some producers contract ahead enough of their upcoming crop to cover out-of-pocket expenses.

PRICE RATIO FAVORS CORN . . .

	Cash price (Chicago)	1980 futures prices (Chicago Board of Trade)			
		March	May	July	New crop ¹
Soybeans \$/bushel .	6.34	6.54	6.77	6.99	7.28
Corn \$/bushel	2.64	2.73	2.86	2.96	3.13
Price ratio	2.4	2.4	2.4	2.4	2.3

¹ November soybeans and December corn. All prices as of February 15, 1980.

. . . ALSO COTTON

	Cash price (CBOT and CTN)	1980 futures prices			
		March	May	July	New crop ¹
Soybeans \$/bushel ²	6.34	6.54	6.77	6.99	7.28
Cotton \$/pound ³ ..	.82	.85	.85	.86	.77
Price ratio	7.7	7.7	8.0	8.1	9.5

¹ November soybeans and December cotton. All prices as of February 15, 1980. ² Soybean futures quotes on Chicago Board of Trade. ³ Cotton cash price 1 1/16" in. Iw-md, Memphis. Futures quotes on the New York Cotton Exchange.